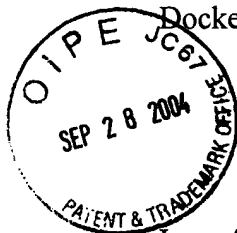


AF/3628^{afw}



Docket No.: 53887-017

PATENT

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

In re Application of	:	Customer Number: 20277
	:	
David LOCKWOOD	:	Confirmation Number: 7720
	:	
Application No.: 09/890,815	:	Group Art Unit: 3628
	:	
Filed: February 6, 2002	:	Examiner: Dass, Harish T.
	:	
For: COMPUTER BORROW AND LOAN SECURITIES AUCTION SYSTEM		

REPLY BRIEF

Mail Stop Appeal Brief – Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22202

Sir:

This Reply Brief is submitted under 37 C.F.R. § 41.41 in response to the EXAMINER'S ANSWER dated July 28, 2004.

The Examiner's response to Appellant's arguments submitted in the Appeal Brief of April 12, 2004, raises additional issues and underscores the factual and legal shortcomings in the Examiner's rejections. In response, Appellant relies upon the arguments presented in the Appeal Brief of April 12, 2004, and the arguments set forth below.

On page 2 of the Examiner's Answer, the Examiner asserted that "[t]he brief does not contain a statement identifying the related appeals and interferences." In response, attention is

drawn to the section labeled with roman number "II," found on page 1 of the Appeal Brief, in which it is stated that "Appellant is unaware of any related appeals and interferences."

On page 4 of the Examiner's Answer, the Examiner objected to claim 7 under 37 C.F.R. § 1.75, asserting that claim 7 is a substantial duplicate of claim 1. In response, Appellant notes that this objection was not present in the Final Office Action dated December 24, 2004 (hereinafter referred to as the Final Office Action). Instead, the Examiner stated on page 2 of the Final Office Action that "Applicant's arguments ... with respect to 'claim 7 is objected to under 37 C.F.R. § 1.75', have been fully considered and are persuasive." Appellant surmises that when the Examiner copied the language regarding the rejection under 35 U.S.C. § 101 from pages 2 and 3 of the Office Action dated July 16, 2003, to pages 3 and 4 of the Examiner's Answer, the Examiner inadvertently copied the objection to claim 7 under 37 C.F.R. § 1.75, which was also found on page 3 of the Office Action dated July 16, 2003. Appellant, therefore, respectfully submits that the objection to claim 7 under 37 C.F.R. § 1.75 has already been withdrawn.

THE REJECTION OF CLAIMS 1 AND 7 UNDER 35 U.S.C. § 101

With regard to the Examiner's rejection of claims 1 and 7 under 35 U.S.C. § 101, Appellant notes the Examiner's arguments on pages 3 and 4 of the Examiner's Answer, which are reproduced below:

Claims 1 and 7 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter, particularly, an abstract idea. The Examiner notes that the disclosed invention is within the technological arts ... The claimed invention is not a specific tangible machine or process for facilitating a business transaction ... The claimed invention of claims 1 and 7 also do not include a post-computer process activity or a pre-computer process activity. Thus, no physical transformation is performed, no practical application in the technological art is found. Consequently, claims 1 and 7 are analyzed based

upon the underlying process, and are thus rejected as being directed to a non-statutory process. (emphasis added)

Initially, Appellant respectfully disagrees with the Examiner's assertion that the claimed invention is an abstract idea and not a process for facilitating a business transaction, particularly considering that the preamble of claim 1 recites "[a] method for facilitating the mutual exchange of securities."

Appellant argued the following in the Appeal Brief with regard to the rejection of claims 1 and 7 under 35 U.S.C. § 101:

(A) There is no "technological arts" prong that exists separately from the "usefulness test" described in State Street Bank.

(B) Under either the analysis proffered by State Street Bank or the "technological arts" test used by the Examiner, the Examiner has failed to establish that the claimed subject matter is not statutory.

With regard to (A), Appellant argued in the Appeal Brief that Toma did not create a "technological arts" prong separate from the "usefulness" test. Instead, the Court in Toma used the terms "technological" and "useful" interchangeably without distinguishing one term from the other term. As reproduced on page 9 of the Appeal Brief and on page 10 of the Examiner's answer, the Court in Toma merely stated that "[t]he 'technological' or 'useful' arts inquiry must focus on whether the claimed subject matter ... is statutory." Since Toma does not differentiate between a "technological" or an "useful" arts inquiry, the asserted "technological arts" prong in Toma is simply what is later described by State Street Bank as the "usefulness test." Thus, there is no "technological arts" prong separate from the "usefulness" test of State Street Bank.

With regard to (B), Appellant argued in the Appeal Brief that the claimed invention produces a useful, tangible and concrete result, and thus, meets the usefulness requirement established by State Street Bank. Specifically, at least one of the useful results is that upon a borrower and lender separately indicating offers to borrow and lend a security, the borrower and lender separately receive a notification that a transaction between the borrower and lender has been consummated based upon a matching of the offers. Furthermore, this subject matter is neither a law of nature, a natural phenomena, nor an abstract idea (i.e., the exceptions to statutory subject matter).

Furthermore, Appellant argued that even if a "technological arts" test existed separate from the "usefulness test" described in State Street Bank, the Examiner has failed to (i) provide any case law that elaborates on what subject matter does and does not fall within the technological arts and (ii) provide any coherent analysis as to why the Examiner believes the claimed subject matter is not within the technological arts.

The Examiner's response to Appellant's arguments in the Appeal Brief is found on pages 8-13 of the Examiner's Answer. With few exceptions, the Examiner's arguments are essentially identical to the arguments found on pages 2-5 of the Final Office Action. These exceptions being the inclusion of block quotes from Toma and Ex parte Bowman, and the following statement:

Similarly, in the present application, claims 1 and 7 are deemed to be non-statutory because they are not limited to the technological arts; all recited steps could be performed manually by a human, thereby reinforcing the fact that Appellant's invention fails to "[p]romote the progress of science and useful arts," as intended by the United States Constitution under Art. I, § 8, cl. 8 regarding patent protection.

The crux of the Examiner argument appears to be that since the claimed steps could be performed manually by a human, the claimed invention is not within the technological arts, and thus, the claimed invention is not directed to statutory subject matter.

Prior to responding to this particular argument, Appellant wishes to review what has been established about claims 1 and 7. Claims 1 and 7 are directed to a method/process, and a process is clearly identified in 35 U.S.C. § 101 as being statutory subject matter. Claims 1 and 7 also provide a useful, tangible and concrete result,¹ which meets the requirements established by State Street Bank. Also, no reasonable argument can be made that the claimed invention is directed to a law of nature, a natural phenomena, or an abstract idea.

Notwithstanding the clear identification by the Supreme Court of three, and only three, exceptions² to statutory subject matter, by asserting that the subject matter in claims 1 and 7 is not statutory subject matter for not falling within the "technological arts," the Examiner is attempting to create a fourth exception to statutory subject matter. To paraphrase this alleged "fourth" exception, any otherwise useful process is not statutory subject matter if the steps of the process could be performed manually by a human. For the reasons summarized above and discussed in the Appeal Brief in greater detail, Appellant submits that the case law does not support the creation of a "fourth" exception for statutory subject matter.

¹ A transaction between the borrower and lender occurs, and both the borrower and lender have been notified of the transaction that resulted from the claimed invention.

² "[L]aws of nature, natural phenomena, and abstract ideas" are the three categories of unpatentable subject matter. Diamond v. Diehr, 450 U.S. 175, 185 (1981).

The court in Diamond v. Chakrabarty states that statutory subject matter is to "include anything under the sun that is made by man." Since statutory subject matter includes "anything ... made by man," logic dictates that if human intervention in just a single step³ of a multi-step process makes the process statutory subject matter, then human intervention in each step of a multi-step process should also make the process statutory subject matter. Appellant, therefore, submits that even if all the steps of the process can be performed manually, and the process is deemed useful under State Street Bank, then the law requires that the process be deemed statutory subject matter under 35 U.S.C. § 101. For the reasons stated above, Appellant submits that the claimed invention recited in claims 1 and 7 is statutory subject matter.

**THE REJECTION OF CLAIMS 1-7 UNDER 35 U.S.C. § 103 FOR OBVIOUSNESS BASED UPON
ENG IN VIEW OF ZANDI**

On pages thirteen through sixteen of the Examiner's Answer, the Examiner responded to each of the issues (i) through (iv) identified by Appellant in the Appeal Brief.

As to (i), Appellant argued that the Examiner improperly construed the synthetic currency disclosed by Eng to correspond to the securities of Appellant's claimed invention. On page 13 of the Examiner's Answer, in responding to Appellant's arguments, the Examiner stated:

the term security is interpreted in its broadest term which includes; mutual funds, stocks, bonds, letters of credit, notes, etc. (emphasis in original)

The Examiner then proceeded to cite to column 2, lines 24-26 of Eng for the proposition that "Eng ... discloses Inside Money (IM) synthetic currency which includes multiple mutual funds" (emphasis in original).

³ If no human intervention is necessary, then the process would be a natural phenomena.

This response, however, sidesteps the issue raised by Appellant. On page 15 of the Appeal Brief, Appellant recognized that IM (i.e., synthetic currency) is derived from certain financial instruments, including mutual funds. However, the point raised by Appellant and not addressed by the Examiner is that IM or synthetic currency is not equivalent to securities. Eng clearly states that IM is derived from the listed financial instruments. One having ordinary skill in the art would not have considered an instrument (e.g., U.S. currency or IM) derived from or backed by something else (e.g., gold bullion or securities) as being equivalent to that "something else." Using the example described in the Appeal Brief, whereas prior to 1975, U.S. currency was easily exchangeable, ownership of gold was subject to restrictions. Thus, one having ordinary skill in the art would not have considered U.S. currency and gold to be equivalent, even though U.S. currency was based on a gold standard, since they were subject to different restrictions. Similarly, one having ordinary skill in the art would not consider IM or synthetic currency to be equivalent to securities.

As to (ii), Appellant noted that independent claims 1, 3 and 7 each recite at least two fees being indicated with one of the fees being associated with the offer to lend a security and another of the fees being associated with the offer to borrow the security, and Appellant argued that Eng fails to teach or suggest this particular limitation. On page 15 of the Examiner's Answer, in responding to Appellant's argument, the Examiner stated the following:

and (col. 5 lines 12-14) "The LA 12 is responsible for the collection of all debts and fees associated with the system's lending and borrowing function.", which means there are two functions (lending and borrowing) and two transaction fees not a single fee. (emphasis added)

The passage cited above is the same passage the Examiner has previously cited, and Appellant incorporates herein the arguments previously presented on page 16 of the Appeal Brief. The passage cited above only teaches that there are fees associated with a lending and borrowing function. This passage, however, fails to state that a separate fee is associated with lending and a separate fee is associated with borrowing. In fact, Eng aggregates the "lending and borrowing" into a single "function." If Eng considered the lending and borrowing to be separate functions deserving of separate fees, Eng would have stated "lending and borrowing functions."

Furthermore, even *assuming arguendo* that Eng intended to refer to a separate fee for lending and a separate fee for borrowing, the passage in Eng cited above fails to teach that these fees are included as part of the offer to lend and part of the offer to borrow.

As to (iii), Appellant noted that independent claims 1, 3 and 7 each recite that an offer to lend a security must indicate a corresponding fee and argued that Eng fails to teach or suggest this particular limitation. On page 14 of the Examiner's Answer, in responding to Appellant's argument, the Examiner cited to column 3, lines 17-23 and line 27 of Eng.

The passage in Eng cited by Examiner refers to "Company A and B may negotiate a rate of return" and to "sliding loan rates and transaction fees provide users with incentive to execute IM transactions." As to negotiating a "rate of return," one having ordinary skill in the art would recognize that a significant difference exists between a rate of return, as disclosed by Eng, and a fee, as claimed. The fact that Eng itself distinguishes between "loan rates and transaction fees" is a clear indication that they are not equivalent. Furthermore, notwithstanding Eng's statement

regarding "sliding loan rates and transaction fees," as argued by Appellant in the Request for Reconsideration and in the Appeal Brief, the fees described within Eng are imposed by the IM transaction network (for example, as part of the potential borrower's rating) and are not part of the offer to lend a security.

As to (iv), Appellant argued that the Examiner has failed to identify a source within Zandi for the Examiner's asserted motivation to combine Eng and Zandi, and it is not apparent that this motivation can be found within Eng. Furthermore, Appellant also argued that one having ordinary skill in the art would not have modified Eng to include the Examiner's conceded missing limitation of sending a notification because such a notification is not necessary. On page 15 of the Examiner's Answer, in responding to Appellant's argument, the Examiner stated the following:

Therefore, it would have been obvious ... to modify the disclosure of Eng and include sending a notification of a transaction, computer system with real-time confirmation of acceptable financial transactions, and Web computer server for serving as host for computer browsers, as taught by Zandi, to send notifications to both parties (lender and borrower) to inform them of acceptance or denial of the of the deal and closing of auction, to allow lender to submit bids and borrower to download bids from the server, and to provide a Web site as a communication link to external users which provides step-by-step information and instruction (Abstract; Figures 3, 4A, 4B & 5; col.7 lines 27-31; col. 8 lines 45-65). (Emphasis added)

Thus, the Examiner's three stated motivations/benefits for modifying Eng in view of Zandi are (1) to inform the lending and borrower of acceptance or denial of the deal and closing the auction; (2) to allow the lender to submit bids and borrower to download bids from the server, and (3) to provide a website as a communication link to external user.

As stated on page 15 of the Office Action, the Examiner relies on Zandi to teach, in part, to "[send] a notification of a transaction between the one lenders and the one borrower based on

the matched offer." An analysis of the three stated motivations/benefits for modifying Eng in view of Zandi yields a conclusion that only the first motivation/benefit asserted by the Examiner has any reasonable relationship to the proposed modification since there is no necessary relationship between the proposed modification (i.e., notify borrower and lender of a matched offer) and the two other asserted benefits (i.e., to submit and download bids from a server, and to use a website as a communication link). Furthermore, as argued in the Appeal Brief, this first asserted benefit would not have motivated one skilled in the art to modify Eng in view of Zandi.

Referring to page 18 of the Appeal Brief, column 3, lines 13-14 of Eng states that the "IM lender can then approve or disapprove the loan." Therefore, there is no need to send a notification to the IM lender because the IM lender already knows that the loan has been approved. Furthermore, as described in column 3, lines 15-17 of Eng "the IM lender can choose to retain the interest bearing features of IM and negotiate an interest payment from the borrower." In such a situation, notification is also not necessary because such a negotiation bypasses the intermediary system, and thus, a notification to the parties is not necessary. Therefore, one having ordinary skill would not have been motivated to modify Eng in view of Zandi to send a notification of the transaction to the lender since the lender already knows that the transaction has been agreed upon.

For the reasons set forth in the Appeal Brief of April 12, 2004, and for those set forth herein, Appellant respectfully solicits the Honorable Board to reverse the Examiner's rejections under 35 U.S.C. §§ 101, 103.

Application No.: 09/890,815

To the extent necessary, a petition for an extension of time under 37 C.F.R. § 1.136 is hereby made. Please charge any shortage in fees due in connection with the filing of this paper, including extension of time fees, to Deposit Account 500417 and please credit any excess fees to such deposit account.

Respectfully submitted,

MCDERMOTT WILL & EMERY LLP

A handwritten signature in black ink, appearing to read 'SDP', is written over the printed name of Scott D. Paul.

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